

DD/S

57-1098

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27 March 1957

MEMORANDUM FOR: Deputy Director (Support)

SUBJECT : Social Security Taxes

I. PROBLEM

To determine further action on collection of Social Security taxes from employees who terminated prior to collection of deductions payable by them.

II. DISCUSSION

1. Under the Social Security Amendments of 1954, contract employees were mandatorily covered by the Social Security Act effective with respect to wages paid on or after 1 January 1955.

2. Final determination as to the applicability of the Social Security Amendment of 1954 to Agency WAE employees was not made until the issuance of [REDACTED], dated 15 August 1955.

3. Upon determination of applicability of the law, appropriate employee deductions were initiated and amounts due from employees were collected retro-active to 1 January 1955.

4. By the time applicability of the law was determined and action to recover amounts due from WAE employees was initiated, 209 WAE employees had been terminated without contributing to the Social Security fund. The total taxes due from these 209 employees was determined to be \$4,606.45.

5. A concerted effort has been made to contact the 209 terminated employees and to obtain required Forms SS-5 and to collect taxes due. To date, 79 employees have responded by paying \$1,561.14, leaving 130 employees owing \$3,045.31

6. Individuals who have not paid taxes due, generally fall into two categories, as follows:

- (a) Employees who have ignored our correspondence.
- (b) Employees who responded by advising they do not desire Social Security coverage and will not pay taxes due.

7. The Agency's tax returns have been adjusted to eliminate taxes relating to the terminated employees who have not paid their Social Security taxes.

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8. Current procedures provide for appropriate Social Security contributions by covered employees and by the Agency. The problem presented in this study has arisen because of the retroactive feature of the coverage and not because of deficiencies in procedure.

### III. CONCLUSION

1. Terminated employees who have not responded to efforts to clear their Social Security accounts apparently do not desire to be covered under the Social Security System.

2. Certain terminated employees have indicated they do not desire coverage and will not pay back taxes.

3. Certain terminated employees desire coverage and have paid taxes due.

4. The Agency is thus presently left with the following alternatives:

- (a) Continue, with little apparent hope of success, efforts to collect amounts remaining due from terminated employees.
- (b) Pay the employees' as well as the Agency's contribution on behalf of the employees under 1. and 2. above, without the required completion of the Form SS-5 and Social Security number. This procedure would involve payment by the Agency of a total amount of \$6,090.62.
- (c) Make no payment or report on these terminated employees under 1. and 2. above for the year 1955. In the event any of these employees subsequently submit payment of taxes, supplemental Social Security reports would be required to provide them with the coverage to which entitled.
- (d) Submit payments and reports on employees under 3. above, in accordance with established policy and procedural determinations.

5. Alternatives 4. (c) and (d) above, appear to afford the most secure, administratively feasible solution to this problem. Also, these alternatives provide protection of the rights of employees who have indicated an interest in the Social Security Program, and recognize that the Agency will take steps to establish similar rights for any of the employees in groups 1. and 2. who subsequently indicate they will satisfy their tax liability and desire coverage under the Social Security System.

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IV. RECOMMENDATION

1. It is recommended that:

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- (a) The Agency submit Social Security tax payments and reports on terminated employees who have contributed Social Security taxes in accordance with established policy and procedure.
- (b) No payments or reports be submitted for terminated employees who have not responded to efforts to clear their accounts or who have indicated they do not desire coverage and will not pay Social Security taxes.
- (c) In the event payments are made by employees under (b) above, the Agency will file appropriate reports and make the tax payments necessary to provide coverage under the Social Security Program.
- (d) The Agency abandon further efforts to obtain Forms SS-5 and tax contributions from the terminated employees identified under (b) above. "Tab A".

  
Chief, Finance Division

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CONCUR

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Comptroller

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The recommendations listed in IV 1 are approved.

*W. R. White - 4 Apr 1954*  
Deputy Director (Support)

Attachment:  
Tab "A"

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